

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name CROMAINE DISTRICT LIBRARY	County LIVINGSTON
Fiscal Year End 6-30-07	Opinion Date 9-9-07		Date Audit Report Submitted to State 12-28-07		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

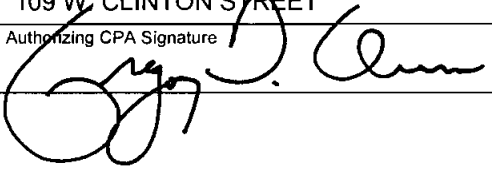
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) BREDERNITZ, WAGNER & CO., P.C.		Telephone Number (517) 546-2130	
Street Address 109 W. CLINTON STREET		City HOWELL	State MI
Zip 48843			
Authorizing CPA Signature 		Printed Name GREGORY D. CLUM, CPA	License Number 1101014127

CROMAINE DISTRICT LIBRARY

FINANCIAL REPORT  
June 30, 2007

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)	3-6
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Assets	7
Statement of Governmental Revenue, Expenditures and	
Changes in Fund Balance/Statement of Activities	8
Notes to financial statements	9-17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	18

**BREDERNITZ, WAGNER & CO., P.C.**

*Certified Public Accountants*

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1

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
the Cromaïne District Library  
Hartland, Michigan

We have audited the accompanying financial statements of the Cromaïne District Library as of and for the year ended June 30, 2007, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cromaïne District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cromaïne District Library, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparisons of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cromaine District Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Bredemeyer, Wagner & Co., P.C.*

Howell, Michigan  
September 9, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years Ended June 30, 2007 and June 30, 2006  
(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

## Condensed Financial Information

The table below shows key financial information in a condensed format:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current assets	\$2,034,755	1,651,107
Capital assets	<u>2,155,485</u>	<u>2,184,760</u>
Total assets	<u>4,190,240</u>	<u>3,835,867</u>
Current liabilities	55,073	39,132
Long-term liabilities	<u>55,648</u>	<u>71,759</u>
Total liabilities	<u>110,721</u>	<u>110,891</u>
Net assets:		
Invested in capital assets, net of debt	2,099,837	2,113,001
Unrestricted	<u>1,979,682</u>	<u>1,611,975</u>
Total net assets	<u>\$4,079,519</u>	<u>3,724,976</u>
Revenue:		
Property taxes	\$1,794,302	1,625,653
Other	<u>196,628</u>	<u>211,318</u>
Total revenue	<u>1,990,930</u>	<u>1,836,971</u>
Expenses - Library services	<u>1,642,916</u>	<u>1,660,559</u>
Change in net assets	<u>\$ 348,014</u>	<u>176,412</u>

- The Library reports net assets of \$4,079,519 and \$3,724,976 on a full accrual basis, as compared to \$1,979,682 and \$1,611,975 on the modified accrual basis of accounting, for the years ended June 30, 2007 and June 30, 2006, respectively.
- The Library's primary source of revenue is from property taxes. For the years ended June 30, 2007 and June 30, 2006, total tax collections were \$1,794,302 and \$1,625,653, respectively. This represents approximately 90.1 and 88.5 percent of total revenue, respectively.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For the years ended June 30, 2007 and June 30, 2006, this expenditure was \$1,030,957 and \$1,032,937, representing 62.8 and 62.2 percent of the Library's total expenditures, respectively.
- Depreciation expense represents 15.5 and 14.4 percent of the Library's total expenses for the years ended June 30, 2007 and June 30, 2006, respectively.
- Total expenditures for the entire year under the modified accrual method of accounting were \$1,629,752 and \$2,040,965 for the years ended June 30, 2007 and June 30, 2006, respectively.
- The Library's conversion to meet GASB 34 Standards, which includes capitalization of Library owned assets and associated depreciation expense is reflected in the Statement of Activities on page 8 of the financial report.

#### The Library's Fund

Our analysis of the Library's General fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The net assets of the General Fund increased during the years ended June 30, 2007 and June 30, 2006 by \$348,014 and \$176,412, respectively. This represents unspent revenue greater than expenses.

### Capital Assets and Debt Administration

As of June 30, 2007 and June 30, 2006, the Library had \$2,155,485 and \$2,184,760, respectively, invested in land, building, furniture and equipment, and books and materials. During the years ended June 30, 2007 and June 30, 2006, the Library added \$174,170 and \$245,306, respectively, in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection.

The Library's debt rating is excellent. New debt in the amount of \$9,500 was issued during the year ended June 30, 2006. The Library's bonded indebtedness totaled \$41,381 and \$46,085 at June 30, 2007 and June 30, 2006, respectively.



CROMAINE DISTRICT LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	General Fund, Modified Accrual Basis	Adjustments (Note 8)	Statement of Net Assets
<b>Assets</b>			
Cash and investments (Note 3)	\$ 1,995,945	-	1,995,945
Accrued interest	20,208	-	20,208
Accounts receivable	9,611	-	9,611
Prepaid expense	4,693	-	4,693
Deposits	4,298	-	4,298
Property and equipment (Note 4)	<u>-</u>	<u>2,155,485</u>	<u>2,155,485</u>
<b>Total Assets</b>	<b><u>\$ 2,034,755</u></b>	<b><u>2,155,485</u></b>	<b><u>4,190,240</u></b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 54,166	-	54,166
Due to other governmental units	907	-	907
Long term liabilities:			
Bonds payable, due within one year (Note 5)	-	5,173	5,173
Bonds payable, due after one year (Note 5)	-	36,208	36,208
Accumulated employee benefits	<u>-</u>	<u>14,267</u>	<u>14,267</u>
<b>Total Liabilities</b>	<b><u>55,073</u></b>	<b><u>55,648</u></b>	<b><u>110,721</u></b>
<b>Fund Balance/Net Assets</b>			
Fund balances - Unreserved:			
Board Designated	817,473	(817,473)	-
Undesignated	<u>1,162,209</u>	<u>(1,162,209)</u>	<u>-</u>
<b>Total Fund Balance</b>	<b><u>1,979,682</u></b>	<b><u>(1,979,682)</u></b>	<b><u>-</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 2,034,755</u></b>		
<b>Net assets:</b>			
Invested in capital assets, net of debt		2,099,837	2,099,837
Unrestricted		<u>1,979,682</u>	<u>1,979,682</u>
<b>Total net assets</b>		<b><u>\$ 4,079,519</u></b>	<b><u>4,079,519</u></b>

The notes to financial statements are an integral part of this statement.

CROMAINE DISTRICT LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUE,  
EXPENDITURES, AND CHANGES IN  
FUND BALANCE / STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	General Fund, Modified Accrual Basis	Adjustments (Note 8)	Statement of Activities
Revenue			
Property taxes	\$ 1,794,302	-	1,794,302
State aid	17,014	-	17,014
Charges for services	6,491	-	6,491
Investment income	66,468	-	66,468
Contributions	11,591	-	11,591
Fines and forfeitures	93,275	-	93,275
Other miscellaneous	1,789	-	1,789
Total Revenues	1,990,930	-	1,990,930
Expenditures			
Administrative	12,873	-	12,873
Salaries and fringe benefits	1,042,365	(11,408)	1,030,957
Supplies	37,589	-	37,589
Community relations	40,052	-	40,052
Library books and materials	174,171	(174,171)	-
Professional and contractual services	37,479	-	37,479
Technology	32,163	-	32,163
Training and education	14,149	-	14,149
Insurance	15,957	-	15,957
Utilities	68,974	-	68,974
Rental	72,476	-	72,476
Repairs and maintenance	22,460	-	22,460
Capital outlay, non-capitalizable	2,172	-	2,172
Capital outlay	51,110	(51,110)	-
Depreciation	-	254,556	254,556
Debt service:			
Principal	4,703	(4,703)	-
Interest	1,059	-	1,059
Total Expenditures	1,629,752	13,164	1,642,916
Excess (Deficiency) of Revenues Over (Under) Expenditures/Change in Net Assets	361,178	(13,164)	348,014
Fund Balance/Net Assets - Beginning of year	1,618,504	2,113,001	3,731,505
Fund Balance/Net Assets - End of year	\$ 1,979,682	2,099,837	4,079,519

The notes to financial statements are an integral part of this statement.

## NOTES TO COMBINED FINANCIAL STATEMENTS

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

## Description of Cromaine District Library Operations:

The Cromaine District Library was organized in 1995 under the provisions of the Michigan District Library Establishment Act, Public Acts 24 of 1989. The Library serves the Hartland Consolidated School District, which includes Hartland township and portions of Tyrone, Deerfield, Brighton, Genoa and Oceola townships. The Library is governed by a seven member board of trustees elected at large from the Hartland Consolidated School District.

## Definition of the reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, these financial statements present the Cromaine District Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, the Library has no component units.

## Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

## Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposed into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded on one fund as follows:

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION (Concluded)

## Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cromaïne District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

## Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Cromaïne District Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the fiscal period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Major revenue sources susceptible to accrual include: taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when the cash is received.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on demand deposits and short-term investments with a maturity of three months or less when acquired.

## Investments:

Investments are stated at cost. Interest earned is recorded as revenue when the investment matures or when credited, by the financial institution, to the interest bearing account.

## Compensated absences (vacation and sick leave):

Full-time Library employees earn vacation time in various amounts based on length of service. Sick leave is earned by full-time employees at a rate of 1 day per month of service. Upon separation, employees will be paid for the accumulated vacation time. Vacation accrued as of June 30, is recorded as a liability and expenditure in the General Fund. No payment is made for unused, accumulated sick leave upon separation. Therefore, no liability is accrued for accumulated sick leave.

## Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2006 State equalized valuation of the Library totaled \$1,497,448,516. The State taxable valuation of the Library totaled \$1,167,079,462 on which ad valorem taxes levied consisted of 1.5212 mills raising \$1,794,302 for operating purposes.

## Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

## Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Budgets and budgetary accounting:

The budget of the General Fund is legally adopted through a Board resolution prior to the beginning of the budgetary year. During the year, the Library Board amended the budget to take into account events that occurred during the year. The encumbrance method of budgeting is not used. Any unexpended appropriations lapse at year end.

Formal budgetary integration is employed as a management control device for the General Fund. Budgets are prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles.

## Note 3. CASH AND CASH INVESTMENTS:

At June 30, 2007, the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, money market accounts and certificates of deposit)	\$1,989,215
Investments in securities	6,530
Petty cash	<u>200</u>
Total	<u>\$1,995,945</u>

DEPOSITS

Deposits are carried at cost. The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The total deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$2,014,986. The entire amount was covered by federal depository insurance and other insurance of the investment company.

## Note 3. CASH AND CASH INVESTMENTS (Concluded)

INVESTMENTS

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of non-pension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds and bank investment pools that are composed of authorized investment vehicles.

Investments at year end consisted of \$6,530 in common stock. This stock was received in 2001 as demutualization compensation. Investment in such stock is a violation of the Library's investment policy.

## Note 4. PROPERTY AND EQUIPMENT

A summary of changes in property and equipment follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Land	\$ 29,500	-	-	29,500
Building	1,441,807	14,381	-	1,456,188
Building improvements	359,443	3,426	-	362,869
Computers	290,155	23,394	-	313,549
Equipment	175,760	9,910	-	185,670
Library books and materials	<u>1,467,682</u>	<u>174,170</u>	<u>(34,139)</u>	<u>1,607,713</u>
Total	3,764,347	225,281	(34,139)	3,955,489
Accumulated depreciation	<u>(1,579,587)</u>	<u>(254,556)</u>	<u>34,139</u>	<u>(1,800,004)</u>
Net Book Value \$	<u>2,184,760</u>	<u>(29,275)</u>	<u>-</u>	<u>2,155,485</u>

## Note 5. LONG-TERM DEBT

The following is a summary of the debt outstanding of the Library for the year ended June 30, 2007:

	Balance July 1, <u>2006</u>	Additions (Deductions) <u></u>	Balance June 30, <u>2007</u>
Hartland Township Sewer Bond, Annual principal payments of \$4,223 plus interest at 2.5% until 2015	\$37,535	(3,754)	33,781
Hartland Township Sewer Bond, Annual principal payments of \$950 plus interest at 2.5% until 2015	<u>8,550</u>	<u>(950)</u>	<u>7,600</u>
	<u>\$46,085</u>	<u>(4,704)</u>	<u>41,381</u>

The annual requirements to amortize all debt outstanding as of June 30, 2007, (plus interest payments of approximately \$4,600) are as follows:

<u>Year Ended June 30,</u>	
2008	\$ 5,173
2009	5,173
2010	5,173
2011	5,173
2012	5,173
2013-2015	<u>15,516</u>
	<u>\$41,381</u>

## Note 6. PENSION PLANS

## A. Defined Contribution Retirement Plan

Plan Description. The Cromaine District Library Defined Contribution Retirement Plan is a defined contribution pension plan established in accordance with Internal Revenue Code section 403(b). All full time employees are eligible to participate in the plan after six months of service. The plan is administered by the Library. The Library contributes 10% of compensation for eligible employees. During the year ended June 30, 2007 the employer



## Note 6. PENSION PLANS (Concluded)

made contributions totaling \$43,378. Contributions are recognized in the period that the contributions are due.

## B. Tax-Deferred Annuity Plan

The Cromaine District Library Tax-Deferred Annuity Plan is a defined contribution plan established in accordance with Internal Revenue Code section 403(b). All full time employees are eligible to participate. Contributions are made through salary reductions as elected by the employee. All contributions are fully and immediately vested. During the year ended June 30, 2007, employees made contributions totaling \$40,438.

## Note 7. RISK MANAGEMENT

The Cromaine District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and worker's compensation benefit provided to employees. The library has purchased commercial insurance for medical benefit claims, settled claims for which have not exceeded the amount of insurance coverage in any of the past three years.

The Library is a member of the Michigan Municipal League Liability and Property Pool which provides members with loss protection for general liability and property and crime coverage. The pool has entered into reinsurance agreements providing for loss coverage in excess of the amounts retained by the pool and individual members. The Library's coverage on general liability and public officials' liability is \$5,000,000, with a combined liability of 5,000,000. The Library's coverage on property and crime is as follows: \$5,270,992 for buildings and personal property contents thereof, \$100,000 for each of the following: valuable records and papers, loss of rents, accounts receivable, loss of income, extra expense. There is also employee dishonesty coverage, money orders and counterfeit paper coverage, depositors forgery coverage and loss coverage for both inside and outside premises in the amount of \$100,000 for each. Any liability for losses which exceed these amounts would remain with the Library.

The Library is also a member of the Michigan Municipal League Workers Compensation Fund. Premiums from participants are combined to provide all members with coverage for claims. The premiums and interest thereon are used to pay claims, administrative expenses and to purchase reinsurance to protect the fund from exceptionally large losses. In the event of a deficit in a fund year, assessments could be made against the members. No such assessments have been made against the Library.

Note 8. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets:

Total Fund Balance - Modified Accrual Basis	\$1,979,682
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	2,155,485
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Long-term liabilities are not financial resources, and are not reported in the funds	(41,381)
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Compensated absences are included as a liability	<u>(14,267)</u>
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Net Assets of General Fund - Full Accrual Basis	<u>\$4,079,519</u>
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Net Change in Fund Balances - Modified Accrual Basis	\$ 361,178
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in statement of revenue, expenditures, and changes in fund balance, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials	174,171
Capital outlay	51,110
Depreciation	(254,556)

Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	11,408
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Note 8. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)

4,703

Change in Net Assets of General Fund -  
Full Accrual Basis

\$348,014

Note 9. LEASE COMMITMENTS AND TOTAL RENTAL EXPENSE

To gain the space needed for an additional branch location, the Library entered into an operating lease agreement on February 1, 2005. Total rental expense for the year ended June 30, 2007 was \$72,476. This lease expires September 30, 2008.

The following is a summary of future annual lease payments:

Year Ended  
June 30,

2008

\$17,667

Note 10. PRIOR YEAR ADJUSTMENT

The Library was issued 280 shares of Principal Financial Group, Inc. stock as demutualization compensation on 12-10-01. This amount has been treated as a prior period adjustment. The June 30, 2006 financial statements have been restated to include \$6,530 of stock recorded at cost.

CROMAINE DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2007

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,776,365	1,793,485	1,794,302	817
State aid	15,000	15,608	17,014	1,406
Charges for services	5,400	6,442	6,491	49
Investment income	52,000	57,838	66,468	8,630
Contributions	7,100	5,359	11,591	6,232
Fines and forfeitures	102,500	92,902	93,275	373
Other miscellaneous	4,000	2,109	1,789	(320)
Total Revenues	1,962,365	1,973,743	1,990,930	17,187
Expenditures				
Administrative	15,055	14,015	12,873	1,142
Salaries and fringe benefits	1,082,550	1,048,036	1,042,365	5,671
Supplies	30,150	34,175	37,589	(3,414)
Community relations	88,255	45,738	40,052	5,686
Library books and materials	183,500	175,758	174,171	1,587
Professional and contractual services	49,675	41,207	37,479	3,728
Technology	36,055	32,209	32,163	46
Training and education	17,785	12,575	14,149	(1,574)
Insurance	16,000	15,957	15,957	-
Utilities	65,550	68,494	68,974	(480)
Rental	75,500	72,476	72,476	-
Repairs and maintenance	40,880	33,584	22,460	11,124
Capital outlay	49,450	46,786	53,282	(6,496)
Debt service	5,121	6,273	5,762	511
Total Expenditures	1,755,526	1,647,283	1,629,752	17,531
Excess of Revenues Over Expenditures	206,839	326,460	361,178	34,718
Fund Balance - Beginning of year	-	-	1,618,504	1,618,504
Fund Balance - End of year	\$ 206,839	326,460	1,979,682	1,653,222

**BREDERNITZ, WAGNER & CO., P.C.**

*Certified Public Accountants*

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DAVID L. BREDERNITZ, CPA  
HERBERT P. WAGNER, JR., CPA

To the Board of Trustees and  
the Director of the  
Cromaine District Library  
of Hartland, Michigan

In planning and performing our audit of the financial statements of the Cromaine District Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Cromaine District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

To the Board of Trustees and  
the Director of the  
Cromaine District Library  
of Hartland, Michigan  
Page 2

During the audit it was noted that the Library is in violation of their investment policy by holding shares of Principal Financial Group, Inc.

The purpose of the adoption of an investment policy is to set forth the overall investment philosophy of the Cromaine District Library as decided by its governing board. The policy should be the guiding rule and it should be followed without exception. We suggest the Library should take steps to follow the investment policy as stated by selling this investment.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

The Library is not tracking capital asset purchases during the year and some of the adjustments to record year end accruals were not made. Therefore, information required to record fixed asset cost, accumulated depreciation, depreciation expense and accruals on the financial statements, as required by generally accepted accounting principles (GAAP), was not readily available.

We recommend that the Library consider purchasing software that can be used to track fixed asset activity. Consideration could also be given to using an excel spreadsheet to track the necessary information. By implementing either of these suggestions, Library personnel will be able to record fixed asset activity, which along with recording other required accrual adjustments, will allow the Library to prepare financial records that are in accordance with GAAP.

This communication is intended solely for the information and use of management, the Board of Trustees or the Cromaine District Library, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

*Bradenburg, Wigner & Co., P.C.*

Howell, Michigan  
September 9, 2007